

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 14, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Atherton Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Atherton Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 14, 2008 on our consideration of the Atherton Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atherton Community Schools' basic financial statements. The additional information reported on pages 19 - 30, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Atherton Community Schools

3354 S. Genesee Road, Burton, Michigan 48519

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Atherton Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

These two statements report the Atherton Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets	\$2,534,812	\$2,406,977
Non-Current Assets	<u>9,840,335</u>	<u>10,150,418</u>
<u>TOTAL ASSETS</u>	<u>\$12,375,147</u>	<u>\$12,557,395</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,323,044	\$1,280,631
Long-Term Liabilities	<u>6,941,519</u>	<u>7,336,628</u>
Total Liabilities	\$8,264,563	\$8,617,259
NET ASSETS		
Invested in Capital Assets - Net of Related debt	2,581,835	2,516,918
Restricted - Debt Service	162,139	95,996
Unrestricted	<u>1,366,610</u>	<u>1,327,222</u>
Total Net Assets	<u>\$4,110,584</u>	<u>\$3,940,136</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$12,375,147</u>	<u>\$12,557,395</u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

REVENUES	2008	2007
General Revenues:		
Property Taxes Levied for General Operations	\$2,474,173	\$2,396,615
Property Taxes Levied for Debt Service	770,328	759,719
State of Michigan Unrestricted Foundation Aid	4,799,058	4,840,662
Other General Revenues	141,292	134,004
Total General Revenues	\$8,184,851	\$8,131,000
Operating Grants:		
Federal	665,650	745,324
State of Michigan	477,060	550,008
Other Operating Grants	182,740	170,074
Total Operating Grants	\$1,325,450	\$1,465,406
Charges for Services:		
Food Service	150,235	164,523
Athletics	28,802	30,878
Other Charges for Services	14,650	7,975
Total Charges for Services	\$193,687	\$203,376
Total Revenues	\$9,703,988	\$9,799,782
EXPENSES		
Instruction & Instructional Support	5,413,267	5,575,979
Support Services	2,900,619	3,019,555
Community Services	17,874	35,083
Food Service	435,736	439,088
Athletics	161,764	144,647
Interest on Long-Term Debt	331,843	366,050
Depreciation	272,437	269,491
Total Expenses	\$9,533,540	\$9,849,893
<u>INCREASE (DECREASE) IN NET ASSETS</u>	\$170,448	(\$50,111)
<u>BEGINNING NET ASSETS</u>	3,940,136	3,990,247
<u>ENDING NET ASSETS</u>	\$4,110,584	\$3,940,136

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets increased by \$170,448 to a total of \$4,110,584. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$64,917 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The District's Unrestricted Net Assets increased by \$39,388 during the year and the restricted portion of the net assets increased by \$66,143. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenditures for the year by \$170,448. The total revenues decreased by \$95,794 over last years amounts; this was due to a decrease in student count and use of federal grants. Expenses decreased by \$316,353 over last year. Major changes were decreases in the use of federal grants, decreases in the Michigan School Personnel Retirement System rate, and a decrease in the interest payments on long-term debt.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$40,402 during the year. Revenues and other financing sources for the year decreased by \$73,877 due to decreases in state aid and federal grants. Expenditures and other financing uses decreased by \$389,023, primarily due to the use of federal grants and decreases in the Michigan School Personnel Retirement System rate. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Atherton Community Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,028 students. This was a decrease of 39 students from the February 07 count.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9172 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$2,496,828. This was an increase of \$100,213 or 4% from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$8,400,336	\$8,366,228	\$8,449,930	0.41%	1.00%
Expenditures	8,532,925	8,487,406	8,409,528	0.53%	0.92%
<u>TOTAL</u>	<u>(\$132,589)</u>	<u>(\$121,178)</u>	<u>\$40,402</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Atherton Community Schools amends its budget during the school year. The June, 2008 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues and Expenditures

There were no significant variations between the original and final budget.

Actual Results vs. Final Budgets

Revenues

The 1.00% difference in actual versus final revenue results from property tax received after preparation of the final budget and Sec 31A money reclassified as deferred revenue.

Expenditures

The variance in actual versus budgeted expenditures of .92% reflects the commitment of the administration to reduce costs throughout the year due to the decline in enrollment. The variance of .92% compares with 1.22% in the fiscal year ending June 30, 2007.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-07	Increases 6-30-08	Principal Payments 6-30-08	Principal Balance 6-30-08
Durant Bonds	\$88,500	\$0	\$0	\$88,500
2001 Building & Site Bonds	7,545,000	0	375,000	7,170,000
Vacation & Sick Days Payable	78,128	8,232	0	86,360
<u>Total Long-Term Obligations</u>	<u>\$7,711,628</u>	<u>\$8,232</u>	<u>\$375,000</u>	<u>\$7,344,860</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$310,083 during the fiscal year. This can be summarized as follows:

	Balance 7-1-07	Additions	Deductions	Balance 6-30-08
Capital Assets	\$14,435,213	\$11,293	\$16,677	\$14,429,829
Less: Accumulated Depreciation	<u>(4,284,795)</u>	<u>(321,376)</u>	<u>(16,677)</u>	<u>(4,589,494)</u>
<u>Net Investment Capital Outlay</u>	<u>\$10,150,418</u>	<u>(\$310,083)</u>	<u>\$0</u>	<u>\$9,840,335</u>

Significant additions were the purchase of a air conditioning unit and lawn mower.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,304 per pupil for the 08-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education and the current economic climate in the state will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The retirement rate is anticipated to decrease to 16.54% in 2008-2009 from 16.72% in 07-08.

* Student Enrollment

The Board of Education and Administration agreed to a reduced enrollment estimate for the 08-09 fiscal year based on the February 2008 student count; resulting in an estimated blended count of 984.75.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- * The Atherton Community Schools 2008/2009 adopted budget is as follows:

<u>REVENUE</u>	\$8,076,939
<u>EXPENDITURES</u>	<u>8,195,480</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$118,541)</u>

The adopted budget reflects the commitment of the Board of Education and Administration to maintain our current instructional programs and staffing levels. It is recognized that the use of unrestricted fund balance can not continue long term and the Board of Education, Administration and members of the various collective bargaining groups are beginning to look at other ways to help reduce fringe benefit costs, specifically health care, to allow the district to maintain its programs. The budget also assumes that the leadership of the Governor, the House of Representatives and the Senate will find a long term solution to the budgetary crisis in Michigan.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Manager, Atherton Community Schools.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,131,383
Investments	77
Accounts Receivable	2,786
Due from Other Governmental Units	1,375,871
Due from Internal Fund	12,400
Inventory	8,025
Prepaid Expenses	4,270
Total Current Assets	<u>\$2,534,812</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	14,429,829
Less: Accumulated Depreciation	<u>(4,589,494)</u>
Total Noncurrent Assets	<u>\$9,840,335</u>
<u>TOTAL ASSETS</u>	<u>\$12,375,147</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$49,946
Due to Other Governmental Units	48,680
Salaries Payable	457,280
Accrued Expenses	295,853
Deferred Revenue	67,944
Current Portion of Long-Term Obligations	403,341
Total Current Liabilities	<u>\$1,323,044</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>6,941,519</u>
<u>TOTAL LIABILITIES</u>	<u>\$8,264,563</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,581,835
Restricted for:	
Debt Service	162,139
Unrestricted	<u>1,366,610</u>
<u>TOTAL NET ASSETS</u>	<u>\$4,110,584</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$12,375,147</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,413,267	\$0	\$896,937	(\$4,516,330)
Support Services	2,900,619	14,650	113,592	(2,772,377)
Community Services	17,874	0	18,235	361
Food Service	435,736	150,235	296,686	11,185
Athletics	161,764	28,802	0	(132,962)
Interest - Long-Term Obligations	331,843	0	0	(331,843)
Depreciation - Unallocated	272,437	0	0	(272,437)
<u>TOTALS</u>	<u>\$9,533,540</u>	<u>\$193,687</u>	<u>\$1,325,450</u>	<u>(\$8,014,403)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,244,501
State Aid				4,799,058
Interest				44,809
Other General Revenues				96,483
Total General Revenues and Transfers				<u>\$8,184,851</u>
Change in Net Assets				<u>\$170,448</u>
Net Assets - Beginning				<u>3,940,136</u>
<u>Net Assets - Ending</u>				<u>\$4,110,584</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$846,915	\$284,468	\$1,131,383
Investments	0	77	77
Accounts Receivable	2,786	0	2,786
Due from Other Funds	12,420	72,062	84,482
Due from Other Governmental Units	1,375,871	0	1,375,871
Inventory	0	8,025	8,025
Prepaid Expenses	4,226	44	4,270
<u>TOTAL ASSETS</u>	<u>\$2,242,218</u>	<u>\$364,676</u>	<u>\$2,606,894</u>
<u>LIABILITIES</u>			
Accounts Payable	\$46,137	\$3,809	\$49,946
Due to Other Funds	72,082	0	72,082
Due to Other Governmental Units	48,680	0	48,680
Salaries Payable	457,280	0	457,280
Accrued Expenses	244,070	0	244,070
Deferred Revenue	66,356	1,588	67,944
Total Liabilities	<u>\$934,605</u>	<u>\$5,397</u>	<u>\$940,002</u>
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	8,025	8,025
Debt Retirement	0	162,139	162,139
Unreserved:			
Undesignated, Reported In:			
General Fund	1,307,613	0	1,307,613
School Service Funds	0	189,115	189,115
Total Fund Balances	<u>\$1,307,613</u>	<u>\$359,279</u>	<u>\$1,666,892</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,242,218</u>	<u>\$364,676</u>	<u>\$2,606,894</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:	\$1,666,892
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$14,429,829 and the accumulated depreciation is \$4,589,494	9,840,335
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Accrued Interest on Long-Term Debt	(51,783)
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$7,258,500	
Compensated Absences Payable	86,360	
Total Long-Term Liabilities	<u>(7,344,860)</u>	

<u>TOTAL NET ASSETS -</u>	<u>\$4,110,584</u>
<u>GOVERNMENTAL ACTIVITIES</u>	

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,638,068	\$970,856	\$3,608,924
State Sources	5,260,697	15,421	5,276,118
Federal Sources	384,385	281,265	665,650
Total Revenues	<u>\$8,283,150</u>	<u>\$1,267,542</u>	<u>\$9,550,692</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	5,406,516	0	5,406,516
Student Services	263,634	0	263,634
Instructional Support	202,451	0	202,451
General Administration	315,953	0	315,953
School Administration	606,585	0	606,585
Business Administration	186,232	0	186,232
Operation & Maintenance of Plant	756,373	0	756,373
Transportation	318,308	0	318,308
Support Services - Other	176,913	0	176,913
Community Services	17,874	0	17,874
Food Service	0	584,269	584,269
Debt Service	0	710,593	710,593
Total Expenditures	<u>\$8,250,839</u>	<u>\$1,294,862</u>	<u>\$9,545,701</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$32,311	(\$27,320)	\$4,991
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(96,931)	96,931	0
Other Transfers	105,022	0	105,022
Total Other Financing Sources (Uses)	<u>\$8,091</u>	<u>\$96,931</u>	<u>\$105,022</u>
Net Change in Fund Balance	\$40,402	\$69,611	\$110,013
<u>FUND BALANCE - BEGINNING</u>	<u>1,267,211</u>	<u>289,668</u>	<u>1,556,879</u>
<u>FUND BALANCE - ENDING</u>	<u><u>\$1,307,613</u></u>	<u><u>\$359,279</u></u>	<u><u>\$1,666,892</u></u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$110,013
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(310,083)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	375,000
Change in accrued interest on long-term liabilities	3,750
(Increase) in accrued compensated absences	<u>(8,232)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$170,448</u>

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$72,922</u>
<u>TOTAL ASSETS</u>	<u><u>\$72,922</u></u>
 <u>LIABILITIES</u>	
Due to General Fund	\$12,400
Due to Student Groups	<u>60,522</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$72,922</u></u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,557,115	\$2,608,747	\$2,638,068	\$29,321
State Sources	5,221,769	5,276,358	5,260,697	(15,661)
Federal Sources	448,872	393,364	384,385	(8,979)
Total Revenues	<u>\$8,227,756</u>	<u>\$8,278,469</u>	<u>\$8,283,150</u>	<u>\$4,681</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,396,670	5,394,871	5,406,516	(11,645)
Student Services	276,615	261,302	263,634	(2,332)
Instructional Support	237,681	201,605	202,451	(846)
General Administration	318,051	313,683	315,953	(2,270)
School Administration	614,869	604,487	606,585	(2,098)
Business Administration	165,854	185,892	186,232	(340)
Operation & Maintenance of Plant	802,114	848,942	756,373	92,569
Transportation	303,445	314,895	318,308	(3,413)
Support Services - Other	189,198	176,966	176,913	53
Community Services	57,221	21,538	17,874	3,664
Total Expenditures	<u>\$8,361,718</u>	<u>\$8,324,181</u>	<u>\$8,250,839</u>	<u>\$73,342</u>
Excess of Revenues Over Expenditures	<u>(\$133,962)</u>	<u>(\$45,712)</u>	<u>\$32,311</u>	<u>\$78,023</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>1,373</u>	<u>(75,466)</u>	<u>8,091</u>	<u>83,557</u>
Net Change in Fund Balance	<u>(\$132,589)</u>	<u>(\$121,178)</u>	<u>\$40,402</u>	<u>\$161,580</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,267,211</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,307,613</u>	

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Atherton Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES/DESIGNATIONS

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and prepaid expenditures.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MICMS	\$ 77	0.0027	AAAm	100.00%

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$919,471 of the District's bank balance of \$1,356,914 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$72,922	\$ 1,206,305
Investments	<u>77</u>
<u>TOTAL</u>	<u>\$ 1,206,382</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 72,922
Cash – District Wide	1,131,383
Investments – District Wide	<u>77</u>
<u>TOTAL</u>	<u>\$ 1,204,382</u>

5) PROPERTY TAXES

The School District levies its property taxes on July 1 and December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 958,026
Federal Grants	293,348
Other Grant Programs & Fees	<u>124,497</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,375,871</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the School District had \$23,529 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2008.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	BALANCE JULY 1, 2007	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2008
GOVERNMENTAL ACTIVITIES				
Buildings and Improvements	\$13,455,100	\$0	\$0	\$13,455,100
Land Improvements	280,930	0	0	280,930
Equipment and Furniture	418,388	11,293	16,677	413,004
Vehicles	280,795	0	0	280,795
Totals at Historical Cost	\$14,435,213	\$11,293	\$16,677	\$14,429,829
Less: Accumulated Depreciation				
Buildings and Improvements	(3,637,419)	(269,463)	0	(3,906,882)
Land Improvements	(130,014)	(11,903)	0	(141,917)
Equipment and Furniture	(281,937)	(23,257)	(16,677)	(288,517)
Vehicles	(235,425)	(16,753)	0	(252,178)
Total Accumulated Depreciation	(\$4,284,795)	(\$321,376)	(\$16,677)	(\$4,589,494)
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$10,150,418</u>	<u>(\$310,083)</u>	<u>\$0</u>	<u>\$9,840,335</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 18,044
Support Services	17,664
Food Service	1,820
Athletics	11,411
Unallocated	272,437
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 321,376</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

10) GENERAL LONG-TERM DEBT

A) 2001 School Building and Site Bonds

Atherton Community Schools has issued General Obligation Bonds dated November 13, 2001, in the amount of \$9,125,000, bearing interest at rates varying from 4.00% to 6.00% per annum. These bonds were issued for the purpose of remodeling, furnishing, equipping, developing and improving the site for Atherton High School, remodel, develop and improve the site for Van Y Elementary and Atherton Middle School; and to acquire, install, equip and re-equip existing school buildings for technology. The balance of the bonds as of June 30, 2008 was \$7,170,000.

B) Durant Resolution Package Bonds

Atherton Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$88,500.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2009	\$403,341	\$312,884	\$716,225
June 30, 2010	423,738	288,787	712,525
June 30, 2011	449,154	263,471	712,625
June 30, 2012	512,221	255,297	767,518
June 30, 2013	495,046	218,878	713,924
June 30, 2014-2018	2,865,000	778,000	3,643,000
June 30, 2019-2021	2,110,000	171,200	2,281,200
<u>TOTAL</u>	<u>\$7,258,500</u>	<u>\$2,288,517</u>	<u>\$9,547,017</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$33,200.

D) Changes in General Long-Term Debt

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Governmental Activities:					
Durant Bonds	\$88,500	\$0	\$0	\$88,500	\$8,341
2001 Building & Site Bonds	7,545,000	0	375,000	7,170,000	395,000
Vacation & Sick Days Payable	78,128	8,232	0	86,360	0
<u>Total Governmental Activities</u>	<u>\$7,711,628</u>	<u>\$8,232</u>	<u>\$375,000</u>	<u>\$7,344,860</u>	<u>\$403,341</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) OPERATING LEASES

Atherton Community Schools has entered into the operating leases summarized below:

A) The District entered into a operating lease with Midwest Transit Equipment of Michigan, Inc. to lease five buses. The lease requires an annual payment of \$43,544 for a period of five years.

B) Future minimum payments for the operating leases is as follows:

June 30, 2009	<u>\$43,544</u>
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12) INTERFUND ACTIVITY

Interfund balances at June 30, 2008 consisted of the following:

DUE TO	DUE FROM			
	General	Debt	Special	
	Fund	Retirement	Revenue	
	Fund	Fund	Fund	Total
General Fund	\$0	\$2,436	\$69,626	\$72,062
Trust and Agency Fund	12,400	0	0	12,400
<u>TOTAL</u>	<u>\$12,400</u>	<u>\$2,436</u>	<u>\$69,626</u>	<u>\$84,462</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	General	Food	
	Fund	Service	
	Fund	Fund	Total
General Fund	\$0	\$13,484	\$13,484
Athletics Fund	110,415	0	110,415
<u>TOTAL</u>	<u>\$110,415</u>	<u>\$13,484</u>	<u>\$123,899</u>

These transfers were made to subsidize the cost of services for athletics and food service.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$799,320, \$885,116 and \$761,003, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Indiana Insurance Company and Everest National Insurance.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

The District is currently in litigation resulting from a dispute over work performed repairing roofs for buildings in the district. The District's insurance company is covering all attorney costs for litigation and no settlement has been offered at this time. As of the financial statement date, no estimation can be made of the resulting liability.

OTHER SUPPLEMENTAL
INFORMATION

ATHERTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	Special Revenue Funds	2001 Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$124,842	\$159,626	\$284,468
Investments	0	77	77
Due from Other Funds	69,626	2,436	72,062
Inventory	8,025	0	8,025
Prepaid Expenses	44	0	44
<u>TOTAL ASSETS</u>	<u>\$202,537</u>	<u>\$162,139</u>	<u>\$364,676</u>
<u>LIABILITIES</u>			
Accounts Payable	\$3,809	\$0	\$3,809
Deferred Revenue	1,588	0	1,588
Total Liabilities	\$5,397	\$0	\$5,397
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	8,025	0	8,025
Debt Retirement	0	162,139	162,139
Unreserved:			
Undesignated, Reported In:			
School Service Fund	189,115	0	189,115
Total Fund Balances	\$197,140	\$162,139	\$359,279
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$202,537</u>	<u>\$162,139</u>	<u>\$364,676</u>

ATHERTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	2001 Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources			
Cafeteria Sales	\$150,235	\$0	\$150,235
Athletic Activities	28,802	0	28,802
Property Taxes	0	770,328	770,328
Earnings on Investments and Deposits	3,506	6,408	9,914
Other Local Revenues	11,577	0	11,577
Total Local Sources	<u>\$194,120</u>	<u>\$776,736</u>	<u>\$970,856</u>
State Sources	15,421	0	15,421
Federal Sources	281,265	0	281,265
Total Revenues	<u>\$490,806</u>	<u>\$776,736</u>	<u>\$1,267,542</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>96,931</u>	<u>0</u>	<u>96,931</u>
Total Revenues & Other Financing Sources	<u>\$587,737</u>	<u>\$776,736</u>	<u>\$1,364,473</u>
<u>EXPENDITURES</u>			
Food Service & Athletics	584,269	0	584,269
Debt Service			
Principal	0	375,000	375,000
Interest	0	333,200	333,200
Other	0	2,393	2,393
Total Expenditures	<u>\$584,269</u>	<u>\$710,593</u>	<u>\$1,294,862</u>
Net Change in Fund Balance	<u>\$3,468</u>	<u>\$66,143</u>	<u>\$69,611</u>
<u>NET ASSETS - BEGINNING</u>	<u>193,672</u>	<u>95,996</u>	<u>289,668</u>
<u>NET ASSETS - ENDING</u>	<u>\$197,140</u>	<u>\$162,139</u>	<u>\$359,279</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$124,842	\$0	\$124,842
Due from Other Funds	3,224	66,402	69,626
Inventory	8,025	0	8,025
Prepaid Expenses	44	0	44
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$136,135</u>	<u>\$66,402</u>	<u>\$202,537</u>
<u>LIABILITIES</u>			
Accounts Payable	\$3,161	\$648	\$3,809
Deferred Revenue	1,588	0	1,588
Total Liabilities	<u>\$4,749</u>	<u>\$648</u>	<u>\$5,397</u>
<u>FUND EQUITY</u>			
Reserved for Inventory	8,025	0	8,025
Unreserved and Undesignated	123,361	65,754	189,115
Total Fund Equity	<u>\$131,386</u>	<u>\$65,754</u>	<u>\$197,140</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$136,135</u>	<u>\$66,402</u>	<u>\$202,537</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	FOOD SERVICES	ATHLETIC ACTIVITIES	TOTALS
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$150,235	\$0	\$150,235
Athletic Activities	0	28,802	28,802
Earnings on Investments and Deposits	3,506	0	3,506
Other Local Revenues	7,517	4,060	11,577
Total Local Sources	\$161,258	\$32,862	\$194,120
<u>State Sources</u>			
State Reimbursements	15,421	0	15,421
<u>Federal Sources</u>			
Federal Reimbursements	254,528	0	254,528
Commodities	26,737	0	26,737
Total Federal Sources	\$281,265	\$0	\$281,265
Total Revenues	\$457,944	\$32,862	\$490,806
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	110,415	110,415
Total Revenues and Other Financing Sources	\$457,944	\$143,277	\$601,221
<u>EXPENDITURES</u>			
Salaries - Professional	28,563	0	28,563
Salaries - Non-Professional	119,803	6,026	125,829
Insurances	17,118	0	17,118
Fica, Retirement, Etc.	38,186	1,074	39,260
Other Benefits	1,500	0	1,500
Purchased Services	16,513	104,090	120,603
Supplies and Materials	206,389	28,680	235,069
Capital Outlay	5,460	7,728	13,188
Other	384	2,755	3,139
Total Expenditures	\$433,916	\$150,353	\$584,269
<u>OTHER FINANCING USES</u>			
Transfers to General Fund	13,484	0	13,484
Total Expenditures and Other Financing Uses	\$447,400	\$150,353	\$597,753
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	\$10,544	(\$7,076)	\$3,468
<u>FUND BALANCE - BEGINNING OF YEAR</u>	\$120,842	\$72,830	\$193,672
<u>FUND BALANCE - END OF YEAR</u>	\$131,386	\$65,754	\$197,140

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES FROMLocal Sources

Property Tax Levy	\$2,474,173
Payments in Lieu of Tax	18,714
Earnings on Investments and Deposits	34,895
Tuition	3,425
Transfer from ISD - Medicaid - Fee-for-Service	19,583
Other Local Revenues	87,278
Total Revenues from Local Sources	<u>\$2,638,068</u>

State Sources

Unrestricted

State Aid - Foundation - Sec. 20	4,799,058
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Restricted

Special Education	211,856
At Risk	173,481
Durant	14,988
Other State Grants	61,314

Total Revenues from State Sources	<u>\$5,260,697</u>
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Federal Sources

Title I	102,939
Improving Teacher Quality	29,717
Medicaid	4,943
Special Education	224,511
Grants from ISD	22,275

Total Revenues from Federal Sources	<u>\$384,385</u>
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Total Revenues	<u>\$8,283,150</u>
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OTHER FINANCING SOURCES

Transfers from Other Funds	13,484
Transfers from Other Districts	79,021
Other Transfers	829
County Special Education Tax	73,446
Total Other Financing Sources	<u>\$166,780</u>

TOTAL REVENUES AND OTHER FINANCING
SOURCES

\$8,449,930

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$827,773
Salaries - Non-Professional	31,454
Insurances	170,138
Fica, Retirement, Etc.	212,841
Other Benefits	7,517
Purchased Services	8,522
Supplies and Materials	9,290
Total Elementary	<u>\$1,267,535</u>

Middle School

Salaries - Professional	1,007,808
Salaries - Non-Professional	23,189
Insurances	254,105
Fica, Retirement, Etc.	255,151
Other Benefits	5,377
Purchased Services	15,138
Supplies and Materials	15,502
Capital Outlay	6,609
Total Middle School	<u>\$1,582,879</u>

High School

Salaries - Professional	857,937
Salaries - Non-Professional	56,946
Insurances	189,441
Fica, Retirement, Etc.	226,494
Other Benefits	13,485
Purchased Services	31,081
Supplies and Materials	52,700
Capital Outlay	7,566
Total High School	<u>\$1,435,650</u>

Total Basic Programs

\$4,286,064

ADDED NEEDS

Special Education

Salaries - Professional	368,584
Salaries - Non-Professional	29,929
Insurances	75,923
Fica, Retirement, Etc.	98,507
Other Benefits	4,320
Purchased Services	100,093
Supplies and Materials	43,268
Total Special Education	<u>\$720,624</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION (Continued)

ADDED NEEDS (Continued)

Compensatory Education

Salaries - Professional	\$123,642
Salaries - Non-Professional	4,221
Insurances	24,866
Fica, Retirement, Etc.	31,706
Other Benefits	1,080
Purchased Services	57,824
Supplies and Materials	13,298
Total Compensatory Education	<u>\$256,637</u>

Vocational Education

Salaries - Professional	72,536
Salaries - Non-Professional	1,591
Insurances	17,899
Fica, Retirement, Etc.	18,282
Supplies and Materials	32,883
Total Vocational Education	<u>\$143,191</u>

<u>Total Added Needs</u>	<u>\$1,120,452</u>
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<u>Total Instruction</u>	<u>\$5,406,516</u>
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	126,287
Salaries - Non-Professional	28,012
Insurances	49,988
Fica, Retirement, Etc.	38,232
Other Benefits	1,489
Purchased Services	19,237
Supplies and Materials	389
Total Student Services	<u>\$263,634</u>

INSTRUCTIONAL STAFF

Salaries - Professional	110,142
Insurances	7,215
Fica, Retirement, Etc.	27,096
Other Benefits	2,396
Purchased Services	41,816
Supplies and Materials	13,564
Other	222
Total Instructional Staff	<u>\$202,451</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)GENERAL ADMINISTRATION

Salaries - Professional	\$108,354
Salaries - Non-Professional	18,062
Insurances	19,096
Fica, Retirement, Etc.	30,964
Purchased Services	104,212
Supplies and Materials	33,659
Other	1,606
Total General Administration	<u>\$315,953</u>

SCHOOL ADMINISTRATION

Salaries - Professional	292,595
Salaries - Non-Professional	112,548
Insurances	47,270
Fica, Retirement, Etc.	100,683
Other Benefits	6,720
Purchased Services	35,752
Supplies and Materials	9,495
Other	1,522
Total School Administration	<u>\$606,585</u>

BUSINESS OFFICE

Salaries - Professional	116,414
Insurances	19,176
Fica, Retirement, Etc.	28,240
Other Benefits	1,440
Purchased Services	1,878
Supplies and Materials	5,831
Other	13,253
Total Business Office	<u>\$186,232</u>

OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	17,863
Salaries - Non-Professional	96,687
Insurances	9,362
Fica, Retirement, Etc.	30,242
Other Benefits	2,049
Purchased Services	348,163
Supplies and Materials	251,908
Other	99
Total Operation and Maintenance of Plant	<u>\$756,373</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)TRANSPORTATION

Salaries - Professional	\$17,336
Salaries - Non-Professional	97,281
Insurances	6,249
Fica, Retirement, Etc.	31,013
Other Benefits	2,844
Purchased Services	69,457
Supplies and Materials	62,607
Capital Outlay	400
Other	31,121
Total Transportation	<u>\$318,308</u>

OTHER SUPPORT SERVICES

Salaries - Professional	17,336
Salaries - Non-Professional	8,953
Insurances	5,994
Fica, Retirement, Etc.	6,524
Other Benefits	594
Purchased Services	136,841
Supplies and Materials	671
Total Other Support Services	<u>\$176,913</u>

Total Support Services

\$2,826,449

COMMUNITY SERVICES

Salaries - Non-Professional	1,774
Fica, Retirement, Etc.	436
Purchased Services	3,683
Supplies and Materials	11,981
Total Community Services	<u>\$17,874</u>

Total Expenditures

\$8,250,839

OTHER FINANCING USES

Transfers to Other Funds	110,415
Special Ed Consortium	48,274
Total Other Financing Uses	<u>\$158,689</u>

TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$8,409,528

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

STUDENT GROUPS	Due To (From Student Groups July 1, 2007	Receipts	Disbursements	Due To (From Student Groups June 30, 2008
Adm Bereavement Func	\$93	\$118	\$195	\$16
Aea Pop & Coffee Func	242	3	244	1
Art Activity	118	4	0	122
Athletic Activity	2,469	15,954	8,302	10,121
Boys Youth Basketball	395	14	0	409
Boys Youth Basketball Entry Fee	2	0	0	2
Case	85	3	0	88
CC-Fund Raiser	704	27	0	731
Class Of 2000	58	3	0	61
Class Of 2001	59	2	0	61
Class Of 2002	59	2	0	61
Class Of 2003	108	3	0	111
Class Of 2004	1,066	40	0	1,106
Class Of 2005	735	28	0	763
Class Of 2006	484	18	0	502
Class Of 2007	894	34	0	928
Class Of 2008	580	2,198	2,764	14
Class Of 2009	3,369	16,129	10,286	9,212
Class Of 2010	0	4,296	324	3,972
Class Of 2011	0	1,137	1,115	22
Class Of 99	106	5	0	111
Eighth Grade Activity	504	469	828	145
Fifth Grade Activity	708	674	1,382	0
Fourth Grade Activity	19	28	20	27
Girls Youth Basketball	488	221	450	259
HS Baseball	2,528	479	1,380	1,627
HS Boys Basketball	858	2,763	2,811	810
HS Building Fund	1,795	10,493	12,179	109
HS Cheerleaders	227	1,699	481	1,445
HS Close-Up	308	12	0	320
HS Drama Guild	769	1,177	506	1,440
HS Foods	62	1,502	1,147	417
HS Football	871	138	1,009	0
HS Girls Basketball	1,041	4,893	5,142	792
HS Homemaking	160	69	0	229
HS Library	264	10	0	274
HS Literary Magazine	238	1,460	1,573	125
HS Shop	419	5,438	3,941	1,916
HS Stage Improvements	1,074	40	0	1,114
HS Student Council	215	3,531	2,401	1,345
HS Talent Show	255	9	0	264
HS Volleyball	3,066	5,122	4,575	3,613
Interest & Bank Charges	0	102	102	0
J Hemingway Func	5,261	427	5,688	0

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

STUDENT GROUPS	Due To (From Student Groups July 1, 2007	Receipts	Disbursements	Due To (From Student Groups June 30, 2008
Marketing	\$810	\$787	\$302	\$1,295
MS Arts	539	19	94	464
MS Bldg Fund	4,587	13,814	12,249	6,152
MS Carnival	29	301	300	30
MS Cheerleaders	72	1,096	944	224
HS and MS Choir	1,482	9,157	7,931	2,708
MS Drama	103	405	192	316
MS Flower Fund	58	1,027	1,085	0
MS Fundraiser	9	1	0	10
MS Industrial Arts	3	1	0	4
MS Journalism	81	3	0	84
MS Library	656	319	85	890
MS N.H.S.	249	57	306	0
MS Parent Group	129	5	0	134
MS Physical Ed	1	0	0	1
MS R.I.F.	109	4	0	113
MS Ski Trip	151	2,708	2,677	182
MS Special Ed	10	0	10	0
MS Special Ed - Sue Will	59	444	240	263
MS Sports Activity	139	692	636	195
MS Student Council	330	21	345	6
MS Track	212	13	61	164
MS Washington Trip	801	30	0	831
MS Yearbook	862	509	228	1,143
National Honor Society	1,338	618	1,406	550
Powerlifting	0	583	313	270
Powers MS Classroom	3	0	0	3
S A D D	441	16	340	117
S Winters Band Memorial	143	5	0	148
Seventh Grade Activity	1,413	794	1,454	753
Six Grade Activity	2,024	4,971	6,769	226
Stage Improvement	245	9	0	254
Temporary Fund	542	15	152	405
Tennis Activity	196	5	63	138
Van Y Bldg Fund	10,251	24,624	28,218	6,657
Van Y Library Fund	450	527	250	727
Van Y Music Fund	17	1	0	18
Varsity Softball	2,212	6,819	8,605	426
Wolverine Writing Center	95	4	0	99
Yearbook	2,475	3,549	4,077	1,947
Youth Football Boosters	128	5	0	133
Youth Pom Pon	33	2	0	35
Youth Programs-Misc.	118	4	0	122
<u>TOTALS</u>	<u>\$66,361</u>	<u>\$154,738</u>	<u>\$148,177</u>	<u>\$72,922</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$149,883

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2009	4.761353%	\$8,341	\$2,184	\$10,525
2010	4.761353%	8,738	1,787	10,525
2011	4.761353%	9,154	1,371	10,525
2012	4.761353%	52,221	18,497	70,718
2013	4.761353%	10,046	478	10,524
<u>TOTAL</u>		<u>\$88,500</u>	<u>\$24,317</u>	<u>\$112,817</u>

DATE OF ISSUE - November 13, 2001

Original amount of issue - \$9,125,000

2001 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2009	6.00%	\$395,000	\$155,350	\$155,350	\$705,700
2010	6.00%	415,000	143,500	143,500	702,000
2011	4.00%	440,000	131,050	131,050	702,100
2012	4.00%	460,000	118,400	118,400	696,800
2013	4.00%	485,000	109,200	109,200	703,400
2014	4.00%	515,000	99,500	99,500	714,000
2015	4.00%	540,000	89,200	89,200	718,400
2016	4.00%	570,000	78,400	78,400	726,800
2017	4.00%	605,000	67,000	67,000	739,000
2018	4.00%	635,000	54,900	54,900	744,800
2019	4.00%	670,000	42,200	42,200	754,400
2020	4.00%	710,000	28,800	28,800	767,600
2021	4.00%	730,000	14,600	14,600	759,200
<u>TOTAL</u>		<u>\$7,170,000</u>	<u>\$1,132,100</u>	<u>\$1,132,100</u>	<u>\$9,434,200</u>

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 14, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Atherton Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the Atherton Community Schools' basic financial statements and have issued our report thereon dated October 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atherton Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Atherton Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Atherton Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Atherton Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Atherton Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Atherton Community Schools' internal control. We consider the deficiencies identified as 2008-1 and 2008-2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Atherton Community Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.



Atherton Community Schools

Page 2

October 14, 2008

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atherton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Atherton Community Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Atherton Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 14, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Atherton Community Schools

Compliance

We have audited the compliance of Atherton Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Atherton Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Atherton Community Schools' management. Our responsibility is to express an opinion on Atherton Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atherton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atherton Community Schools' compliance with those requirements.

In our opinion, Atherton Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Atherton Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Atherton Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atherton Community Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Atherton Community Schools

Page 2

October 14, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Atherton Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Regular (07-08)		81530-0708	\$129,508
Title I Regular (06-07)		71530-0607	146,363
Title I Regular (05-06)		61530-0506	165,410
Total Title I			<u>\$441,281</u>
Special Education - Grants to States:	84.027		
IDEA Simms (06-07)		70440-0607	4,000
Innovative Education Program Strategies	84.298		
Title V (07-08)		80250-0708	2,157
Enhancing Education Through Technology	84.318		
Technology Literacy Challenge Grants (07-08)		84290-0708	2,550
Technology Literacy Challenge Grants (05-06)		64290-0506	2,089
Total Enhancing Education Through Technology			<u>\$4,639</u>
Teacher/Principal Training and Recruiting	84.367		
Improving Teacher Quality (07-08)		80520-0708	78,683
Improving Teacher Quality (05-06)		60520-0607	8,857
Total Teacher/Principal Training & Recruiting			<u>\$87,540</u>
Total Passed Through Michigan Department of Education			<u>\$539,617</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (07-08)		80450-0708	284,298
IDEA Flowthrough (06-07)		70450-0607	271,462
Total Special Education Grants to States			<u>\$555,760</u>
Emergency Response Plans (03-04)	84.184E	N/A	2,100
Safe and Drug Free Schools	84.186		
Safe & Drug Free Schools		72860-0506	1,800
Safe & Drug Free Schools		62860-0506	1,170
Total Safe and Drug Free Schools			<u>\$2,970</u>
Title III Limited English Proficiency	84.365	80580-0708	813
Total Passed Through Genesee Intermediate School District			<u>\$561,643</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$1,101,260</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$0	\$0	\$102,939	\$0	\$47,697	\$55,242
31,401	128,861	0	0	31,401	0
308	165,410	0	0	308	0
<u>\$31,709</u>	<u>\$294,271</u>	<u>\$102,939</u>	<u>\$0</u>	<u>\$79,406</u>	<u>\$55,242</u>
1,400	1,400	0	0	1,400	0
0	0	0	0	0	0
0	0	0	0	0	0
1,387	1,387	0	0	1,387	0
<u>\$1,387</u>	<u>\$1,387</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,387</u>	<u>\$0</u>
0	0	29,717	0	20,913	8,804
5,849	7,134	0	9	5,840	0
<u>\$5,849</u>	<u>\$7,134</u>	<u>\$29,717</u>	<u>\$9</u>	<u>\$26,753</u>	<u>\$8,804</u>
<u>\$40,345</u>	<u>\$304,192</u>	<u>\$132,656</u>	<u>\$9</u>	<u>\$108,946</u>	<u>\$64,046</u>
0	0	224,511	0	0	224,511
20,143	253,978	17,484	0	37,627	0
<u>\$20,143</u>	<u>\$253,978</u>	<u>\$241,995</u>	<u>\$0</u>	<u>\$37,627</u>	<u>\$224,511</u>
2,100	2,100	0	0	2,100	0
1,206	1,206	0	0	1,206	0
1,170	1,170	0	0	1,170	0
<u>\$2,376</u>	<u>\$2,376</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,376</u>	<u>\$0</u>
0	0	813	0	0	813
<u>\$24,619</u>	<u>\$258,454</u>	<u>\$242,808</u>	<u>\$0</u>	<u>\$42,103</u>	<u>\$225,324</u>
\$64,964	\$562,646	\$375,464	\$9	\$151,049	\$289,370

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$25,622
Bonus Commodities		N/A	1,115
Total Food Distribution			<u>\$26,737</u>
School Breakfast Program	10.553	N/A	59,500
National School Lunch Program	10.555	N/A	195,028
Total Nutrition Cluster			<u>\$254,528</u>
Integrated Nutrition Education & Physical Activity for Students in Low-Income Michigan Schools (PE-Nut Found)	10.561	61-5003M	<u>3,978</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$285,243</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through Genesee Intermediate School District			
Medicaid - Administrative Outreach	93.778	N/A	<u>4,943</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,391,446</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$0	\$0	\$25,622	\$0	\$25,622	\$0
0	0	1,115	0	1,115	0
<u>\$0</u>	<u>\$0</u>	<u>\$26,737</u>	<u>\$0</u>	<u>\$26,737</u>	<u>\$0</u>
0	0	59,500	0	59,500	0
0	0	195,028	0	195,028	0
<u>\$0</u>	<u>\$0</u>	<u>\$254,528</u>	<u>\$0</u>	<u>\$254,528</u>	<u>\$0</u>
0	0	3,978	0	0	3,978
<u>\$0</u>	<u>\$0</u>	<u>\$285,243</u>	<u>\$0</u>	<u>\$281,265</u>	<u>\$3,978</u>
0	0	4,943	0	4,943	0
<u>\$64,964</u>	<u>\$562,646</u>	<u>\$665,650</u>	<u>\$9</u>	<u>\$437,257</u>	<u>\$293,348</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$665,650

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$384,385

School Service Fund 281,265

TOTAL \$665,650

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$9 was made to the Improving Teacher Quality (05-06) grant CFDA 84.367 due to an adjustment by the state.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$254,528
Cash Management System		108,946
Total		<u>\$363,474</u>
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District		
Special Education - Grants to States (CFDA 84.027)	\$37,627	
Emergency Response Plans (CFDA 84.184E)	2,100	
Safe & Drug Free Schools (CFDA 84.186)	2,376	
Medicaid - Administrative Outreach (CFDA 93.778)	4,943	
Total Grants Passed Through Genesee Intermediate School District		<u>47,046</u>
Entitlement and Bonus Commodities (CFDA 10.550)		<u>26,737</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		<u><u>\$437,257</u></u>

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Is a “going concern” explanatory paragraph included in the audit report? ☐ Yes ☒ No
- Is a significant deficiency disclosed? ☒ Yes ☐ No
- Is any Significant deficiency reported as a material weaknesses? ☐ Yes ☒ None reported
- Is a material noncompliance disclosed? ☐ Yes ☒ No

Federal Awards

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? ☒ Yes ☐ No
- Is a significant deficiency disclosed for any major program? ☐ Yes ☒ No
- Is any significant deficiency reported for any major program as a material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.553/10.555

Name of Federal Program or Cluster
Nutrition Cluster

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2008-1

Finding Type – Significant deficiency

Criteria – Proper segregation of duties mitigates the risk of financial reporting errors. Reliable financial reporting is necessary to carry out the School District’s day-to-day activities.

Condition – Related to the accounts payable process, a lack of segregation of duties exists whereby the same individual prepares the checks for payment, has access to the signature stamp, posts entries in the general ledger, and has the ability to create new vendors.

Related to the payroll process, a lack of segregation of duties exists whereby the same individual that processes payroll is also responsible for setting up new employees, imputing pay rate changes, preparing all payroll and retirement returns and posting entries to the general ledger.

Context – The School District has a limited number of staff in the business office. In addition, the School District has experienced turnover with the business manager position during the year. The Board of Education reviews the check runs regularly.

Cause/Effect – The lack of segregation of duties increases the risk of errors in financial reporting whether unintentional or intentional (fraud).

Recommendation – We recommend that the School District review segregation of duties related to various areas, including the individuals that initiate, record, and review transactions within each system. Given the School District’s limited staffing, cost/benefit of any changes should also be considered.

Views of Responsible Officials and Planned Corrective Action – Subsequent to year end, the District outsourced the accounts payable and payroll functions to the Genesee Intermediate School District. Internal control procedures, including segregation of duties, will be reviewed and correction action taken as necessary.

Finding 2008-2 – Significant deficiency

Effective for the year ended December 31, 2006, Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and the footnotes required in the annual audit. Based upon discussions with management and audit work performed in the current year, the District has the capability to perform monthly internal accounting functions and provide timely reports as requested by the board. The District does not have the personnel with qualifications and training necessary to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America. We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Views of Responsible Officials and Planned Corrective Action – Subsequent to year end, the District outsourced some accounting functions to the Genesee Intermediate School District (ISD). In addition, the ISD will provide the technical assistance to satisfy the removal of this finding for the next fiscal year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.